

House Taxation Committee  
HB 529  
Testimony of REC Silicon  
February 7, 2007

REC Silicon would like to thank Chairman Lake for bringing this bill forward. The business equipment tax is one of many factors that businesses weigh as they study possible investment or expansion in MT.

REC Silicon is the world's largest producer of Silane, Poly-crystalline Silicon for Solar applications and Ultra-Pure Float Zone Poly-crystalline Silicon. The pure Silicon is predominantly used in the production of Semiconductor Wafers for the solar and electronics industries. The Silane is used to deposit very thin layers of silicon in various applications. This material is produced at REC Silicon's Butte facility as well as its Moses Lake, WA facility.

Formerly known as Advanced Silicon Materials LLC (ASiMI), REC Silicon was formed in 2005 when Renewable Energy Corporation purchased ASiMI and its ownership in Solar Grade Silicon (SGS) in Moses Lake, WA, from Komatsu. As a result, ASiMI and SGS merged to form REC Silicon. Renewable Energy Corporation is a publicly traded company headquartered in Oslo, Norway. The shares of REC are traded on the Oslo Stock Exchange. REC is a vertically integrated solar energy company with operations covering the entire solar value chain—from the manufacture of Poly-crystalline Silicon and Silane to the manufacture of photovoltaic or solar cells that produce electricity from sunlight.

Due to a robust market for its products and a corporate commitment to remain the market leader in its chosen markets, this is not a quiet time at REC Silicon. REC will be investing over \$60 Million at the Butte facility over the next two years. These investments are aimed at increasing Poly-crystalline Silicon capacity, Silane production capacity as well as Silane loading and distribution capacity. However, it is an inevitable and historical fact that no market goes up indefinitely; therefore, REC Silicon is putting considerable effort into using this period of strong growth to invest in cost reduction measures and more efficient production techniques.

Being located in MT has some unique advantages for REC Silicon; however, it also poses some significant challenges. The cost of power in MT can sometimes be more than twice that available to industrial users in other parts of the United States or in other countries. The tax structure for businesses can also be discouraging. As REC Silicon looks toward the future, it is constantly planning and evaluating the potential for expansion both in existing and new facilities. The high quality of the MT work force and quality of life factors here must be balanced with onerous power prices and significant tax burdens. These are not insurmountable challenges, and REC Silicon remains hopeful that continuing efforts to resolve these issues will allow REC Silicon to possibly expand even more in MT.

With regards to further expansion of REC Silicon's business in MT, there are several factors that come into play. Many, but not all, of these factors are cost-related. REC Silicon is already heavily positioned in MT with the intent to be a long term player in MT's economic growth. Because of this, REC Silicon supports policies that would reduce the cost of conducting business in MT to further enable REC Silicon's growth in MT.

With 250 employees in Butte, and approximately a \$30 million impact on the MT economy, MT has a strong interest in seeing the REC Silicon business thrive and potentially grow here.

Again, REC Silicon thanks Chairman Lake for his efforts to address the business tax situation. We would also like to thank Evan Barrett of the Governor's Office, and look forward to seeing the details of the Governor's tax incentive program for renewable energy.

REC Silicon is also working with Sen. Baucus' office to address issues on international trade that impact the MT operation. These efforts could produce a greater number of alternatives for REC Silicon in dealing with suppliers, and could result in significant cost reductions.

As a Montana taxpayer, REC Silicon is well aware of the current surplus in state revenues and of the on-going discussions about possible tax reductions. REC Silicon has attempted in this testimony to describe the analysis it undertakes in making investment decisions, and comparing the profitability of its alternatives for plant expansion. Your decisions on tax policy will impact REC Silicon's investment decisions, as will all factors that affect the Montana cost structure and REC Silicon's ability to operate profitably here.